FILE COPY

Office - Supreme Court, U. S.
FILED
MAR 26 1946
CHARLES ELMORE CROPLEY

IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1945.

No. ~~997-998~~ 70-71

EDWARD KATZINGER COMPANY,
Petitioner,

vs.

CHICAGO METALLIC MFG. COMPANY,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT, AND BRIEF IN SUPPORT THEREOF.

CHARLES J. MERRIAM,
STANLEY HOODS,
Counsel for Petitioner.

THE BUNTHORP-WARREN PRINTING COMPANY, 315 WEST JACKSON, CHICAGO

INDEX.

	PAGE
Petition for Writ of Certiorari	1
Summary and Short Statement of the Matter Involved	2
Jurisdiction	5
Questions Involved	6
Reasons Relied on for the Allowance of the Writ	7
Brief in Support of Petition	9
Opinions of the Courts Below	9
Jurisdiction	10
Statement of the Case	10
Specification of Error	10
Argument	11

Cases and Statutes Cited.

MacGregor v. Westinghouse Electric, 66 Sup. Ct. 527 (Case 410) 5, 10, 12

Sola Electric v. Jefferson Electric, 317 U. S. 173 ..... 4, 5, 6, 7, 10, 12

U. S. v. General Electric, 272 U. S. 476 11

Westinghouse Electric v. MacGregor, 350 Pa. 333, 38 Atl. (2d) 244 7

240 (a) Judicial Code, 28 U. S. C. 347 5

IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1945.

No. .....

EDWARD KATZINGER COMPANY,
Petitioner,

vs.

CHICAGO METALLIC MFG. COMPANY,
Respondent.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT, AND BRIEF IN SUPPORT THEREOF.

PETITION.

To the Honorable the Chief Justice and the Associate Justices of the Supreme Court of the United States:

Your petitioner, Edward Katzinger Company, respectfully prays for a Writ of Certiorari to the Circuit Court of Appeals for the Seventh Circuit to review a decree of that Court entered January 22, 1946 and an interlocutory decree of that Court of December 10, 1943. A transcript of the record in the case, including the proceedings in said Circuit Court of Appeals, is furnished herewith in accordance with Rule 38 of the rules of this Court.

SUMMARY AND SHORT STATEMENT OF THE MATTER INVOLVED.

We refer to petitioner as Katzinger and respondent as Metallic. The original action in the case was brought by Metallic for declaratory judgment as to validity and infringement of a number of patents, of which the only one now pertinent is Jackson 2,077,757, issued April 20, 1937. The patent relates to a baking pan in which baking surfaces are formed into a plurality of separate individual depressions which admittedly[1] greatly improve baking, and particularly prevent the grease or other shortening with which the pan is supplied during cooking from running to a low point in the pan and thereby causing scorching or over-cooking above the bare portions of the pan.

Prior to the Jackson invention, both Katzinger and Metallic were engaged in the manufacture of tinware for baking purposes. As is well known, this baking ware was of the familiar smooth shiny type. Katzinger brought out the Jackson structure in 1936 under the name Ovenex and promptly thereafter Metallic manufactured a substantially identical infringing line called Bakerex. When the Jackson patent issued, a notice of infringement was sent to Metallic which, after some negotiation, took a license under the patent. This license included the following paragraph:

(1) Record 142—Testimony of Debs (Witness for Metallic) Record, page 75-76 (of 8320).

"14. This contract shall remain in force for and during the life of the last expiring patent coming within the terms of this license unless sooner terminated by either party upon sixty days' written notice to the other party, provided, however, that Licensee may avail itself of this right to terminate only upon ceasing to manufacture, sell and distribute articles embodying or made in accordance with any of the licensed patents or applications, except as provided in paragraph 9 hereof. Should Licensee elect to terminate, as aforesaid, except as provided in paragraph 9 hereof, without ceasing to manufacture, sell or distribute said article, it shall be estopped from denying the validity of said patent or patents, or any of them, and be deemed an infringer thereof."[2]

Metallic continued to make structures and pay royalties for some time, but later became the manufacturer of slightly different pans called the Bake-King line, which it contended did not infringe, but which did infringe the Jackson patent.[3] When Katzinger demanded royalties on the new line, Metallic attempted to terminate the license under Article 14. Katzinger originally denied the right of Metallic so to terminate and, therefore, contested the right of Metallic to bring a declaratory judgment action. This issue was decided adversely to Katzinger by the Circuit Court of Appeals in its first opinion (123 Fed. (2d) 518). Thereafter it was admitted that the license was terminated. Katzinger insisted that Metallic's Bake-King line was an infringement of the patent and that Metallic

(2) Record 16 (of 8320).

(3) Finding of Fact—by District Court at first hearing. Rec. 143, 157 (of 8320).

thus came within the provisions of Article 14, particularly the last sentence thereof, in that it had terminated the agreement "without ceasing to manufacture, sell, or distribute said article" and was, therefore, in accordance with said article "estopped from denying the validity of said patent." The District Court found that the Bake-King line did infringe the Jackson patent[4] and that Metallic was estopped to deny the validity of the patent in accordance with the terms of the contract.

Metallic appealed from this decision, asserting that because the original contract contained a proviso (not enforced) requiring Metallic to sell its licensed articles at the same price as Katzinger, the decision of this court in *Sola* v. *Jefferson Electric*, applied, and Katzinger could not enforce the estoppel. Katzinger asserted the estoppel, alleging that the Sola case was inapplicable because the price fixing agreement had not been enforced and because it had ended before the estoppel arose. The Circuit Court of Appeals agreed with Metallic in its opinion of December 10, 1943, 139 Fed. (2d) 291, and held the estoppel could not be enforced. The Court of Appeals, therefore, sent the case back to the District Court for a determination of the validity of the patent free from the estoppel. The District Court on a new hearing found the patent invalid, 62 U.S.P.Q. 365, and the Circuit Court of Appeals affirmed this finding in its opinion of January 22, 1946. Inasmuch as the opinion of the Circuit Court of Appeals of December 10, 1943 was not a final order of the court, no Petition for Certiorari was filed at that time.

(4) See Footnote (3).

JURISDICTION.

The final decree below was entered on January 22, 1946 (rec. 31 of 8753). Jurisdiction is invoked under Section 240 (a) of the Judicial Code, 28 U. S. C. 347, as amended. Jurisdiction is specifically invoked because the Interlocutory Decree entered December 10, 1943, and the Final Decree of January 27, 1946, are in conflict with the decision of this Court in *Sola Electric Company* v. *Jefferson Electric Company*, 317 U. S. 173, and directly in conflict with the case of *MacGregor* v. *Westinghouse Electric Company*, 66 Sup. Ct. 527 decided by this Court on February 11, 1946, as Case No. 410.

On March 11, 1946, a rehearing was granted in the aforementioned MacGregor case. Both that case and the instant case involve the question of whether the validity of a patent may be attacked where the license agreement contained a price-fixing clause which was not enforced nor sought to be enforced. The advisability of a simultaneous consideration of that case and this one is suggested so that the decision of this Court in the Sola Electric case may be thoroughly clarified.

QUESTIONS INVOLVED.

1. Is the respondent, Metallic, estopped to deny validity of the Jackson Patent 2,077,757 as provided in Article 14 of the contract?

2. Does the decision of this Court in *Sola Electric* v. *Jefferson Electric* apply where the parties once had a price-fixing agreement which was terminated before an estoppel provision became effective?

3. Does the decision of this Court in the case of *Sola Electric* v. *Jefferson Electric* apply to invalidate an estoppel in a licensing agreement where no effort was made to enforce a pre-existing price-fixing provision, where the price-fixing agreement had been terminated by action of the parties, where the suit does not seek to enforce such provision, and where such provision could not be revived or enforced by Court order in the action?

REASONS RELIED ON FOR THE ALLOWANCE OF THE WRIT.

1. The Circuit Court has decided an important question of federal law in conflict with the decision of this Court in *Sola* v. *Jefferson Electric*, 317 U. S. 173, and with the decision of this Court affirming by an evenly divided court the decision of the Supreme Court of Pennsylvania in *Westinghouse Electric Co.* v. *MacGregor*. See 66 Sup. Ct. 527. The decision of the Supreme Court of Pennsylvania is reported in 350 Pa. 333, 38 Atl. (2d) 244.

The Sola Electric decision held that a price fixing agreement based upon the validity of the patent could not be enforced unless the patent was valid apart from the estoppel. The Westinghouse case found that this decision applied only where it was sought to enforce the price-fixing agreement and not where it was sought merely to enforce the patent. In the present case we do not seek to enforce a price-fixing agreement, and the decision of the court could not under any circumstances do so because, by the terms of the license, the price agreement had ended prior to the inception of the estoppel which Katzinger seeks to apply. The estoppel arose by its terms only after termination of the license and the price agreement.

WHEREFORE, petitioner respectfully prays that a Writ of Certiorari be issued out of and under the Seal of this Honorable Court, directed to the United States Circuit

Court of Appeals for the Seventh Circuit, directing said Court to certify and send to this Court a full transcript of the record and proceedings of said Circuit Court of Appeals in said cause, entitled *Edward Katzinger Company* v. *Chicago Metallic Manufacturing Company*, Docket No. 8753, together with the full record of the prior hearing in the same case, Docket No. 8320, so far, as may be, that said prior record is not included in the record of the subsequent hearing; that said cause be reviewed and determined by this Court; that the decision of said Circuit Court of Appeals be reversed by this Honorable Court; and that the petitioner may have such other relief as may appear appropriate.

CHARLES J. MERRIAM,
STANLEY HOODS,
Counsel for Petitioner.

IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1945.

No. .....

EDWARD KATZINGER COMPANY,
Petitioner,

vs.

CHICAGO METALLIC MFG. COMPANY,
Respondent.

BRIEF IN SUPPORT OF PETITION.

I.

THE OPINIONS OF THE COURTS BELOW.

The pertinent opinions of the District Court of the United States for the Northern District of Illinois, Eastern Division, are reported respectively in 57 U.S.P.Q. 58, and 62 U.S.P.Q. 365, and appear on pages 143 (of 8320) and 11 (of 8753) of the record. The pertinent opinions of the United States Circuit Court of Appeals for the Seventh Circuit are reported in 139 Fed. (2d) 291 and 68 U.S.P.Q. 102, and appear on pages 207 and 31 of the record of 8320 and 8753 respectively.

II.

JURISDICTION.

See Petition for Writ of Certiorari (*supra*, page 5).

III.

STATEMENT OF THE CASE.

See Petition for Writ of Certiorari (*supra*, page 2).

IV.

SPECIFICATION OF ERROR.

1. The Circuit Court of Appeals for the Seventh Circuit erred in refusing to recognize the estoppel to deny validity of Jackson Patent 2,077,757, as provided in Article 14 of the contract.

2. The Circuit Court of Appeals erred in its interpretation of the decision of this court in *Sola* v. *Jefferson*.

3. The Circuit Court of Appeals' opinion is directly in conflict with the decision of the Supreme Court of Pennsylvania, and the affirming opinion of this court in *MacGregor v. Westinghouse Electric Co.*

V.

ARGUMENT.

Under Article 14 its license contract, (Rec., page 16 (of 8320)) with petitioner, Metallic agreed that if it should terminate the license without ceasing to make the patented article "it shall be estopped from denying the validity of said patent." Metallic did terminate the license without ceasing to manufacture the patented article.[5] It, therefore, clearly came under the estoppel.

The Circuit Court of Appeals, however, found the estoppel ineffective because at a date prior to the inception of the estoppel there was an agreement that licensee would sell its patented articles at the same price as the prices maintained by licensor (a perfectly legal agreement under *U. S.* v. *General Electric*, 272 U. S. 476, 47 Sup. Ct. 192, 71 L. Ed. 362).

This price arrangement was inserted in the license contract at the request of Metallic and was never enforced by Katzinger.[6] Furthermore, this price arrangement had automatically been terminated by Metallic when it terminated the license, so that when the estoppel of Article 14 arose, there was no agreement as to prices.

---

(5) Finding of Fact 12 on first hearing, Rec. page 155 (of 8320).

(6) Memorandum of the District Court at the first hearing, Rec. page 143 (of 8320).

Therefore, no attempt was made, nor could have been made, in the proceedings before the Circuit Court of Appeals to enforce a price-fixing agreement, nor was there any possibility of enforcing any such agreement at or after the date of the decision.

The Court of Appeals was erroneous in construing the decision of this court in *Sola* v. *Jefferson* as requiring it to disregard an affirmative estoppel merely because a price-fixing agreement had been in existence at a prior time.

As the Supreme Court of Pennsylvania said in *Westinghouse Electric* v. *MacGregor*, 350 Pa. 333, 38 Atl. (2d) 244:

> "In the instant case the court has not been requested either directly or indirectly to require MacGregor to maintain Westinghouse prices. By his own testimony he has not maintained them. The price-fixing clause is not in issue. It is raised merely as a defense to a suit for accounting and payment of accrued royalties. The legality, the enforceability of the price-fixing clause is a moot question. We therefore do not propose to declare the Jones patent invalid. Whether the price-fixing clause in the license is legal or invalid is not before this Court. It is our judgment that the decision of the Sola case does not control or determine the instant case.
>
> "* * * In the instant case the plaintiff is not attempting to enjoin the defendant from selling the products he is licensed to sell, at prices less than those charged by the licensor. To grant the relief prayed for here does not result in anything which is inter-

dicted by the Federal Anti-Trust laws. Therefore, the decision in the Sola case, *supra*, does not govern the decision of any issue raised in this case."

(Affirmed by this court February 11, 1946, Case No. 410, without opinion.)

The present case is precisely within this decision. Not only was no attempt made to enforce any price-fixing arrangement (see Memorandum of District Court at the first hearing, Rec. 143), but the price-fixing agreement had been terminated by termination of the license agreement itself. Therefore, a decision by the Court finding the patent valid because of the estoppel would not in any way restrain, delay or "result in anything which is interdicted by the Federal Anti-Trust laws."

The conflict between the decision of the Circuit Court of Appeals and the decision of this Court in the MacGregor case is perhaps most clearly shown by the fact that the Petition for Certiorari in the MacGregor case was based in large part upon a conflict between the decision of the Seventh Circuit Court of Appeals in *Chicago Metallic* v. *Katzinger* and the opinion of the Supreme Court of Pennsylvania in the MacGregor case. Similarly the brief for the petitioner in the MacGregor case bases its second point on the conflict between the Chicago Metallic decision and the MacGregor decision.

Respectfully submitted,

CHARLES J. MERRIAM,
STANLEY HOODS,
Counsel for Petitioner.